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National Cattlemen's Association National Convention

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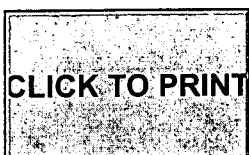
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(2) Subject* **National Cattleman's Association National Convention**

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BAUCUS

STATEMENT OF SENATOR MAX BAUCUS

NATIONAL CATTLEMAN'S ASSOCIATION

NATIONAL CONVENTION

PHOENIX, ARIZONA

January 30, 1989

Thank you, Burton (Burton Eller). It is a real pleasure to be here for your national convention.

Through my work as Chairman of the Senate Beef Caucus and member of the Senate Agriculture Committee and the Senate Finance Committee -- that's the committee that writes tax and trade legislation -- my staff and I have many opportunities to work with the NCA.

certainly - obviously -
It has always been a pleasure to work with the Montana Stockgrowers. *Bill Brown, Jimmie Wilson*

And it has also been a pleasure to work with an organization that has such fine and knowledgeable Washington representatives such as Burton Eller, Tom Cook, Alan Sobba, and Chandler Keys. NCA Members should rest assured that they are well represented in

Washington.

The concerns of cattlemen don't run through any single agency or committee in Washington. Cattlemen have to be concerned about everything from public lands policy to taxes.

Today, I would like to spend a few minutes outlining the issues I think you should be watching in three areas that I work on in Washington: 1) agriculture, ^{and the farm bill} 2) taxes, and 3) international trade.

AGRICULTURE POLICY

For better or worse -- I think probably for the better -- cattlemen aren't as deeply tied up with the farm program as the rest of the agriculture community.

But all parts of the agricultural community are touched by the U.S. farm program. And the expiration of the farm bill in 1990, coupled with another round of farm budget cuts, means that we will be taking a hard look at the farm program in the next year.

Beef Check-Off

The most direct stake that ranchers had in the 1985

farm bill was in the Beef Check-Off promotion program.

The \$1 per head transfer fee has built up a good sized war chest for the industry to use in fighting the trend of declining beef consumption.

The Check-Off promotion program is a step in the right direction. I think it is essential to start investing in building demand for beef not only in the United States but around the world.

Judging from the overwhelming vote of approval the program received in the referendum on its continuation, cattlemen agree.

With the referendum out of the way, the program seems to be up and running now and -- despite a few problems with Cybil Shepherd -- I am willing to bet it is going to pay big dividends to American cattlemen in the coming years. Given the support the beef industry has demonstrated for the program, I don't foresee any major changes in this program in the next farm bill.

The Farm Bill

But rancher's concerns have to stretch beyond just the Beef Check-Off. Cattle markets depend on a

reasonable feed grain policy to provide feed to fatten cattle. In other words, the wheat, corn, and other feed grain programs, ^{directly} affect a cattleman's pocketbook.

Generally, most farmers, and therefore most of their Congressmen, are pretty happy with the 1985 farm bill. It may not have worked miracles, but it did raise farm income 10% and increased agricultural exports by more than 100%.

It's true

^ The drought drove up feed prices last year. But, in a normal year, the lower loan rates in the 1985 farm bill would have kept feed prices at reasonable levels.

There was serious talk in 1985 of using mandatory supply controls to drive up the market prices for the grains -- a step that would have driven feed prices through the roof. But that has all died down now. Even the original sponsor of this approach -- Senator Harkin -- has backed away from it, suggesting that supply control may not be the way to go.

In short, I suspect that the next farm bill will hold feed grain prices at a level that doesn't undermine the cattle market. We may do some minor tinkering, but fundamentally there will not be a major change in approach to the farm program.

Drought Assistance and other Matters>

As most of you know better than I, last year's drought was devastating.

Cattle forage in Montana was lower than it was during the worst year of the dust bowl.

One thing we learned from the drought was that our assistance program was poorly organized. Last year's drought assistance bill made some very positive changes in drought programs. But there is still room for improvement.

Along with several of my colleagues, I am going to be looking into improving USDA's drought relief programs to make sure the next time we have a drought we can get the feed assistance program working before it's too late. We are looking at giving local and state officials more authority to administer drought programs. And we're ~~trying~~ ^{tying} all drought assistance programs to a single declaration.

We also need to explore ways to limit the impact of the drought relief program on feed prices -- a problem that many of you are still feeling. We may need to establish an emergency feed reserve for use during

droughts.

Of course, we need to be alert to ensure there is no dairy buy-out disaster incorporated into the new farm bill, and to make sure the Farm Credit System stays on an even keel. But I don't foresee major problems on either of those fronts.

Some local farm credit bureacrats may be dragging their feet. But that will require a kick in the pants, not new law.

TAX POLICY

We had two successes with drought assistance in the 1988 tax bill. One allows cattlemen and farmers to treat drought assistance payments ~~under title II of the 1988 Disaster Assistance Act~~ as income in the year after they are received.

The other allows those who sell breeding stock because of drought to treat the sales proceeds as income in the year after they are received.

Both of these provisions were added to the Tax Code as part of the 1988 tax bill.

In both cases, the Tax Code now permits a one year delay in taxation of those drought-related payments.

The Treasury ^{Dept} is working on an announcement to explain how to take advantage of these provisions. They assure me that the guidance will be out shortly.

Heifer Repeal

The 1988 tax bill gave me my first experience at managing a major bill through the complete legislative process. That includes drafting, back room politicking, managing the bill on the floor, and taking it to conference with the House.

Those months were some of the most exciting and instructive months of my political career. And it was nice to be in charge of the legislation that was carrying repeal of the Heifer Tax.

Repeal of the Heifer Tax was my provision. But you had as much to do with it being enacted as I did. Without your efforts, Congress would not have repealed the tax.

And this association left nothing to chance in buttressing those in Congress who were committed to

supporting Heifer Tax repeal. Nothing was left to chance; no one's support was assumed. As I said, that was my provision. But even I received calls and telegrams as late as October to make sure I knew how important the provision was to you. That is what I call a thorough effort. And that is what I call a successful effort.

TRADE POLICY

Not too many years ago the U.S. market was the only market that American cattlemen needed to worry about. The only time international trade came up was in the context of beef imports from Australia and New Zealand.

But times have changed. A strong export market is going to be the basis for a strong cattle market in the coming decades. In my view, cattlemen need to focus more on expanding the pie rather than fighting chicken and pork producers for a shrinking pie.

In 1987, the U.S. exported 600 million pounds of beef. These export sales generated \$700 million in additional revenue for the American beef industry.

American grain-fed beef is now one of America's most competitive export products. No one can compete with

American cattlemen in the production of grain-fed beef. There are already major foreign markets for U.S. beef in Japan, Mexico, Canada, Korea, and Europe. New markets are emerging in the developing nations.

Export markets are expected to continue to grow. By 1990, U.S. beef exports are projected to increase the value of the average fed steer by about \$40.

One of my top priorities for this year is opening *additional* international markets for U.S. ag products. Last year, a coalition of the NCA, the Beef Caucus, and the Administration won a decade long struggle to open the Japanese beef market. Over the next six years, Japan has agreed to phase out the quota and other import restraints that have kept U.S. beef out of Japan.

Japan should soon grow into a \$1-2 billion market for U.S. beef.

We are now fighting to open the Korean beef market.

I expect another unified industry-congressional-administration push against Korea in the next year. If we can stick together as we did against Japan, we will once again be successful.

And if Korea opens its market to U.S. beef, that

market could run as high as \$500 million for U.S. cattlemen by 1990.

But while we are fighting to open new markets, we have to make sure that the old markets don't close. That is a problem we are now having with Europe. The EC, *as you know* decided to ban meat imports from the U.S. under the pretext of protecting European consumers from growth hormones.

In my view, this is just a thinly veiled attempt to put up new trade barriers against U.S. agricultural exports. The U.S. has slapped the Europeans back for this highly protectionist step, and I believe we will eventually convince Europe to reconsider.

CONCLUSION

On the whole, this has been a good year for the U.S. beef industry. The National Cattlemen's Association and its friends in Congress and the Administration have been working together smoothly and we've seen results.

This year and the year afterward can be even better. We are working in the right direction. We are looking forward and creating new opportunities to expand the beef market.

Cattle prices are reasonably high and we are working to expand the domestic market and foreign markets to keep them that way.

I think this industry has a bright future, and as Chairman of the Beef Caucus, I am going to work very hard *with you* to see that the future gets even brighter.